



# U.S. ECONOMIC ASSISTANCE PROGRAM IN EGYPT

USAID Grant Agreement No. 263-0281

**CONFORMED  
COPY**

SECOND AMENDMENT

TO

STRATEGIC OBJECTIVE GRANT AGREEMENT

BETWEEN

THE ARAB REPUBLIC OF EGYPT

AND THE

UNITED STATES OF AMERICA

FOR

SKILLS DEVELOPED FOR COMPETITIVENESS

Dated:

30 SEP 2002

"Certified to be a true copy of the original document signed on behalf of the Government of U.S. by Ambassador C. David Welch, and Mr. Willard Pearson USAID Director, and on behalf of the Government of Egypt by Ms. Fayza Aboulnaga Minister of State for Foreign Affairs, and Ms. Maissa El-Gohary, Acting Administrator of the Department for Economic Cooperation with U.S.A."

*Karen Hunter*

Karen Hunter, Legal Advisor

## FUNDS RESERVED

App 722/31037 Res No P020218  
EOCC \_\_\_\_\_ EPOCHES 20223263KG13  
Off Code \_\_\_\_\_ Amount \$15,735,000.00  
Agent Code \_\_\_\_\_ Acc Basis \_\_\_\_\_  
Oblig Str Dt \_\_\_\_\_ Oblig End Dt 09/30/2009  
By SVR B&A \_\_\_\_\_ MACS SVR Date 9/30/02

Second Amendment, dated 30 SEP 2002 to the Strategic Objective Grant Agreement, dated September 30, 2000, between the Arab Republic of Egypt ("A.R.E." or "Grantee") and the United States of America, acting through the United States Agency for International Development ("USAID") (collectively, the "Parties") for Skills Developed for Competitiveness.

SECTION 1. The Grant Agreement is hereby amended as follows:

A. Section 2.2 is deleted in its entirety and the following is substituted therefor: "Results. In order to achieve the SO, the Parties agree to work together to achieve the following Results:

- (a) Market Responsive Workforce Skills Provided in Critical Sectors;
- (b) Increased Institutional Capacity for Providing Market-Responsive, Private-Sector-Driven Education and Training; and
- (c) Leadership Skills Developed in Critical Areas Through Long-Term Overseas Fellowships."

B. Section 3.1(a) is amended by deleting "Twenty Two Million United States ("U.S.") Dollars (\$22,000,000)" and substituting "Thirty Seven Million Seven Hundred Thirty Five Thousand United States ("U.S.") Dollars (\$37,735,000)" therefor.

C. Section 3.1(b) is amended by deleting "Twenty Five Million United States ("U.S.") Dollars (\$25,000,000)" and

substituting "Eighty One Million One Hundred Fifty One Thousand Two Hundred Thirty Six United States ("U.S.") Dollars (\$81,151,236)" therefor.

D. Section 3.2(b) is deleted in its entirety and the following is substituted therefor: "Subject to the availability of funds for this purpose, the A.R.E. contribution will not be less than the Egyptian Pound equivalent of Nine Hundred Ninety Eight Thousand U.S. Dollars (\$998,000), including cash and in-kind contributions. The A.R.E. will report at least annually in a format to be agreed upon with USAID on its cash and in-kind contributions."

E. Article 4(a) is amended by deleting "September 30, 2004" and by substituting "September 30, 2009" therefor.

F. Section 7.2 is amended by deleting "Minister of State for International Cooperation and/or the Administrator of the Department for the Economic Cooperation with U.S.A." and substituting "Minister of State for Foreign Affairs and/or the Administrator of the Department for Economic Cooperation with U.S.A., International Cooperation Sector, Ministry of Foreign Affairs" therefor.

G. Annex 1, "Amplified Description", is deleted in its entirety and replaced with Annex 1, "Amplified Description", attached hereto.

SECTION 2. Language of Amendment. This Amendment is prepared in both English and Arabic. In the event of ambiguity or conflict between the two versions, the English language version will prevail.

SECTION 3. Except as specifically amended or modified herein, the Grant Agreement shall remain in full force and effect in accordance with all of its terms.

SECTION 4. Ratification. The A.R.E. will take all necessary action to complete all legal procedures necessary to ratification of this Amendment and will notify USAID as promptly as possible of the fact of such ratification.

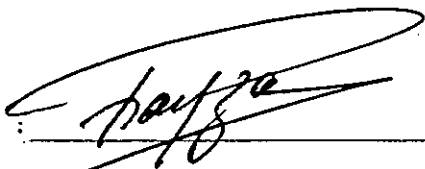
SECTION 5. Effectiveness. This Amendment shall enter into force when signed by both parties hereto.

IN WITNESS WHEREOF, the Arab Republic of Egypt and the United States of America, each acting through its respective duly authorized representatives, have caused this Amendment to be signed in their names and delivered as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

UNITED STATES OF AMERICA

BY



NAME : Fayza Aboulnaga

TITLE: Minister of State for Foreign Affairs

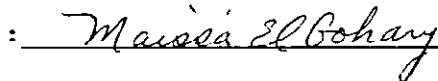
BY



NAME : C. David Welch

TITLE: American Ambassador

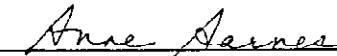
BY



NAME : Maissa El-Gohary

TITLE: Acting Administrator  
Department for Economic  
Cooperation with U.S.A.  
International Cooperation  
Sector

BY



NAME : Anne Aarnes

TITLE: Acting Director,  
USAID/EGYPT

Amplified Description  
for the  
Skills for Competitiveness Developed  
Strategic Objective Grant Agreement

## I. Introduction

This Annex 1 describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Annex 1 shall be construed as amending any of the definitions or terms of this Agreement. The Annex 1 may be amended by authorized representatives of the Parties through Implementation Letters (ILs) as provided under Article A. Section A.2 of the Standard Provisions (Annex 2) to the Agreement, without formal amendment of the Agreement, provided that the definition of the Strategic Objective and Results, as set forth in Article 2 of this Agreement, are not altered thereby.

## II. Background

### A. Problem

Improved workforce training that takes into account employers' needs is essential for Egypt's economy to compete and grow in the modern, globally competitive environment. Previous national training efforts may not have adequately taken into account input from the private sector, which is well placed to identify skills lacking in the workforce. Skill deficiencies exist at many levels throughout the economy -- from shortages of well trained artisans to insufficient numbers of globally sensitive managers and information technologists. Dramatic shocks to the economy--regional unrest, effects of September 11, 2001 terrorist attacks in the United States, and Egypt's liquidity crisis -- have received most of the blame for Egypt's economic problems. But such problems may be solved relatively quickly by changing external conditions; the shortage of skilled workers is a much deeper and more intractable problem. Rapid population growth means there is a constantly rising number of job-seekers, yet employers cannot always find applicants with the required skills.

The challenge under USAID's Strategic Objective, "Skills Developed for Competitiveness" is to ensure that Egypt's

workforce is adequately trained, especially in those economic sectors where new jobs are likely to be created. USAID will assist Egypt in improving the quality of workforce education and training, while coordinating efforts with the private sector to ensure that training corresponds to employer needs.

**B. Other Donors**

Other foreign donors and international institutions involved in this sector include the World Bank, the United Kingdom, the European Union, Germany, Canada and Sweden.

**III. Strategic Objective**

**A. Strategic Objective**

The Strategic Objective, "Skills for Competitiveness Developed," seeks to develop a skilled Egyptian workforce that can effectively compete in the global marketplace.

Progress toward the achievement of the Strategic Objective will be a major factor in allocating funding for this program. Two indicators of achievement, with baselines and targets established, will be monitored to determine progress towards the Strategic Objective. The indicators of achievement are:

- Company Operations Index

This indicator is derived from a set of best management practices identified by the World Economic Forum (WEF) as increasing competitiveness of companies.

- Company Information Technology (IT) Use Index

This index is derived from data used by the WEF to establish a measure of the sophistication and extent of company use of IT.

## **B. Beneficiaries**

The ultimate beneficiaries of this program will be Egyptians from all walks of life: young and underemployed people whose job prospects will be improved; small, medium and large firms who will have access to more appropriately skilled workers; shareholders and owners of larger firms; and consumers of goods and services. The country as a whole will benefit from an economy that is more efficient and better prepared to meet the challenges of global competition. A major focus of the program is providing training that is market-responsive, reflecting the actual needs of employers. Improved coordination of training activities with market needs will benefit Egyptians at every level, from poor and underemployed job-seekers to corporate executives.

## **IV. Results**

The activities set forth in Section V of this Annex focus on two (2) of the three (3) Intermediate Results under this Agreement: (1) Market-Responsive Workforce Skills Provided in Critical Sectors and (2) Increased Institutional Capacity to Provide Market-Responsive, Private Sector-Driven Education and Training. Activities under the third IR, Leadership Skills Developed in Critical Areas Through Long-Term Overseas Fellowships, will be developed in the near future.

### **Result I: Market-Responsive Workforce Skills Provided in Critical Sectors**

#### Indicators:

Percentage of graduates of management training interventions who were unemployed before training, are available for employment and placed in relevant jobs within one year.

Percentage of graduates of IT training interventions who were unemployed before training, are available for employment and placed in relevant jobs within one year.



Percentage of employed graduates of management training interventions who use skills acquired in training or increase their job responsibilities as a result of training within one year of graduation.

Percentage of employed graduates of IT training who use skills acquired in training or increase their job responsibilities as a result of training within one year of graduation.

***Result II: Increased Institutional Capacity to Provide Market-Responsive, Private Sector-Driven Education and Training***

Indicators:

Indicators for measuring improvements in institutional capacity and performance are harder to define and take longer to measure. The indicators for measuring improvements in institutional capacity for such entities as the Future Generation Foundation (FGF), the Egyptian Technology University (ETU); the Egyptian Foundation for Technology Education Development (EFTED), and the Business School, will be adaptations of the Institutional Development Framework (IDF) and the Organizational Capacity Assessment Tool (OCAD). These indices measure such institutional features as oversight and vision (board, the mission or goal, autonomy, constituency, leadership, legal status); management resources (leadership style, participatory management, management systems, planning, community participation, monitoring, evaluation); financial resources (vulnerability, solvency); external resources (public relations, ability to work with local communities, ability to work with government bodies, ability to work with other NGOs); program development; service delivery (sectoral expertise, constituency, impact assessment); external relations (constituency relations, inter-NGO collaboration, public relations, local resources, media); and sustainability (program, benefits, organizational, financial, and resource base sustainability).

As indicators for the quality of education offered by the ETU, an adaptation of one of the industry accepted ranking tools assessing the degree to which an educational institute is networked and providing progressive IT education will be used, such as the one used for the Yahoo ranking of US universities.

Another indicator ETU development and progress indicator will be its achievement of one of the IT industry acceptable accreditations, such as the U.S.-based accreditation recently acquired by the computer science department of the American University in Cairo.

***Result III: Leadership Skills Developed in Critical Areas Through Long-Term Overseas Fellowships***

Indicators for this IR will be developed in the near future.

**V. Activities**

In order to satisfy U.S. legal requirements, activities to be undertaken under this program must meet essential selection criteria. These include demonstration of conformity with the SO, a clear relationship with the intended Results, the measurability of the Results, a clear identification of the activity, and proposed costs that are commensurate with anticipated benefits.

To achieve the Results presented in Section IV of this Annex 1, USAID and the Arab Republic of Egypt (A.R.E.) agree that, contractors and U.S. and non-U.S. non-governmental organizations (NGOs) will carry out the activities described below.

The planned level of assistance shown below for each activity is subject to the achievement of satisfactory results as determined by joint progress reviews, the availability of funds to USAID for this purpose, and the mutual agreement of the

Parties to proceed at the time each increment is provided.

**A. Activities Leading to the Achievement of Result I:  
Market Workforce Skills Provided in Critical Sectors.**

**1. Management Development Initiative (MDI) and Partnerships  
for a Competitive Egypt (PfCE)**

Purpose: Strengthen the ability of Egyptian firms to compete in the global economy through the provision of market-responsive training. From 1999 through 2001, MDI worked with private sector partners to identify key human resources and management constraints limiting competitiveness, and then addressed these constraints through training interventions, such as workshops, seminars, short courses, awareness-raising events and team learning labs. Pursuant to an evaluation of MDI, PfCE was designed as a follow-on project to further the activities of MDI and enhance those activities through program additions and refinements, including the expansion and evolution of MDI's advanced partners group (leaders from a diverse roster of companies who are particularly interested in improved management and employee training to increase competitiveness) into a business advisory group.

**2. Management Education Program-Scholarships for MBAs**

Purpose: Raise the quality of management training available in Egypt. The long-range plan is to progress from a U.S. MBA scholarship program to a high-quality, private business school in Egypt. Follow-on programs that will be explored will be a U.S. scholarship program that is funded jointly by USAID and the Egyptian private sector, which will offer three study options: MBA scholarships in the US with costs shared by employers; scholarships that combine study in the U.S. and in Egypt; and, U.S.-based distance learning MBA programs that do not involve foreign travel. The goal of all three sub-activities is to galvanize Egyptian interest and support for a high quality private MBA program in Egypt.

### **3. Certified IT Training (CITT)**

Purpose: Provide short-term Certified IT Training (CITT) to Egyptians through short-term IT courses. Progress and impact of training is measured by two indicators: increases in employment rates of university graduates as a result of CITT training, and the percentage of trainees who benefit from the training by using the skills acquired in their work; this could be measured as an increase in their job responsibilities, improvement in their performance, a promotion, or moving to a new, more IT-intensive job.

### **4. Upgrading Information Technology (IT) Programs at National Universities**

Purpose: This activity aims at upgrading IT programs at national universities by providing parallel certified IT training in some faculties and a fifth complementary year to some of the graduates of the four-year IT colleges. It will be implemented with the ETU/IT Cluster Activity.

## **B. Activities Leading to the Achievement of Result II: Increased Institutional Capacity to Provide Market-Responsive, Private Sector-Driven Education and Training.**

### **1. Egyptian Technical University (ETU/IT Cluster Development)**

Purpose: Support the establishment of an ETU that will respond to information and communications technology (ICT) workforce demands in the long term. The ETU will be a private institution with enough autonomy and flexibility to offer high-quality ICT education and training, and to adapt quickly to emerging local, regional, and global ICT workforce. The university will be sufficiently autonomous to engage stakeholders in an active partnership to ensure proper response to labor market ICT needs, to introduce and strengthen e-learning in Egypt, and to be financially viable.

The ETU will charge more affordable fees than those charged by similar private institutions in Egypt. It will thus open a high quality, affordable alternative to the ICT education options available in the public system, alleviating some of the pressure and providing models for the strengthening of that system.

Closely linked to the ETU development effort, and strongly related to its market responsiveness, are IT Cluster Development activities. IT cluster development will continue to improve the fit between ICT market needs and supplied skills. It also will strengthen cluster associations, improve information sharing concerning employment opportunities and available skilled workforce, and address general employment issues such as use of skill standards and certification.

## **2. The Smart School Network Program (SSNP)**

Purpose: Support an initiative of the National ICT Plan to introduce and strengthen ICT skills and e-learning in pre-university education, as a tool for learning other subjects and as a skill. The SSNP emphasizes networked education as the primary approach to achieve these objectives.

## **3. Future Generation Foundation (FGF) Activity**

Purpose: Support program of FGF, which seeks to contribute to Egypt's economic growth through human resource programs tailored to business needs, with an initial focus on new graduates and young professionals. A USAID grant to FGF will provide support to on-going successful programs already developed and funded by FGF and will enable FGF to develop and implement some additional programs that meet objectives shared by FGF, USAID and the A.R.E. These include Basic Business Skills Acquisition, Senior Executive Program (SEP), a mini-MBA program, vocational training, and development of a private Egyptian graduate school of business.

#### **4. Tourism Cluster Development**

Purpose: Promote general awareness of common goals among tourism cluster partners and encourage collaboration within the cluster for more competitive training. The long-range objective of this activity is to foster resilient links between employers and training providers in competitive sectors so that the match between skills taught and skills sought can be continually re-calibrated as market forces change.

#### **5. School-to-Work (STW) Systems Development**

Purpose: Develop full-scale STW systems in selected Egyptian cities so that successful results can encourage and inform national education. Central to the development of STW systems is the formation of strategic partnerships between the private sector and public sector. It is expected that STW systems designed by these partnerships will provide high school vocational students with a chance to learn the work habits and skills employers need. This activity will seek to support business and industry leaders' advocacy for market-relevant changes in vocational-technical education and tertiary education, including a more relevant curriculum; facilitate the matching of skills to job needs and thus raise the employment rate; assist in the development of a private-sector led STW framework designed to provide an effective transition from school to the workplace, and to further education and training.

#### **6. The Alexandria Institute of Technology (AIT) Partnership**

Purpose: Support a cooperative, mutually-beneficial partnership between one or more U.S. education institutions and AIT; the partners will collaborate to design and deliver an international marketing course at AIT, as part of the institution's continuing education management program.

#### **7. Grants Component**

Purpose: To support private sector proposals for small-

scale, innovative projects that complement USAID's workforce development aims. USAID regularly receives proposals of this nature, and will begin to consider them on a more competitive basis through a grant component that will outline guidelines for awards. If there are good results, the grants activity will be continued. The U.S. organization supporting the HRDC will also manage the grants program for training programs proposed by the NGOs. The grantee will publicize guidance for small grants in an annual program statement, and review applications twice a year. This will add rigor and transparency to funding unsolicited proposals. At the same time, the U.S. organization will build the capacity within the HRDC to manage such a grants program.

#### **VI. Roles and Responsibilities of the Parties**

Each counterpart identified under section V., above will be responsible for conducting overall implementation of the respective activities. The Ministry of Foreign Affairs, International Cooperation Sector (MOFA/ICS) will manage this agreement jointly with USAID, in particular signing and amending the overall agreement and approval of budget reallocations among the activities itemized in section V.

Implementation of activities funded under this Agreement may be carried out by Egyptian NGOs and a combination of U.S., international and local organizations working under grants, cooperative agreements and contracts in support of the Strategic Objective. USAID will enter into such grants, cooperative agreements and contracts only after consultation with the MOFA/ICS.

##### **A. Grantee: A.R.E.**

The A.R.E.'s MOFA is responsible for international cooperation. The MOFA will be the lead Ministry for SO 17 activities and shall play a coordinating role to ensure that appropriate communications occur between other A.R.E. ministries, such as the MCIT on IT activities, and Ministry of

Education for STW. MOFA/ICS will be responsible for signing all amendments of this Agreement, ILs, and other project documentation. It will also assist with all tax and customs issues and facilitate the customs and duty free importation of all commodities required to implement activities under this Agreement.

In addition to the MOFA/ICS, the following A.R.E. ministries are expected to facilitate the implementation of activities under this Agreement:

MCIT: Certified IT Training, ETU/IT Cluster Development, and Smart Schools

MOE: Smart Schools.

#### **B. USAID**

USAID is responsible for executing contracts and grants to implement approved activities needed to achieve the results described in this Agreement, together with managing and monitoring, either directly, or through its management and monitoring contractor, the execution and progress of these activities and their achievement of the set targets and results. USAID shall also keep MOFA/ICS informed of implementation progress at intervals to be agreed upon by the ICS and the SO 17 Team.

The USAID Strategic Objective team for Workforce Development will monitor the implementation of activities under this Agreement on behalf of the U.S. Government. USAID Workforce Development staff will establish working relationships with the MOFA/ICS, private sector partners, and others needed to facilitate the implementation of project activities.

#### **C. Other Partners**

The private sector and non-governmental organizations, U.S. and Egyptian, are expected to participate in the implementation



of activities under this Agreement, and to make a substantial contribution toward achievement of the objectives of this Agreement. Expected partners include:

Activity	Partner
MDI/PfCE	Private Sector
Management Education Program-Scholarships for MBAs	Private Sector, FGF
Certified IT Training (CITT)	Private Sector, EFTED (when formed)
Upgrading Information Technology Programs at National Universities	ETU, and EFTED (when formed)
ETU/Cluster Development	EFTED (when formed)
Smart Schools	EFTED, and Non-Governmental Schools
FGF Activity	FGF
Tourism Cluster Development	Egyptian Federation for Tourism (EFT)
STW	ABA, Cairo Businessmen Association
AIT Partnership	AIT
Grant Component	Private Sector

## VII. Monitoring and Evaluation

The indicators specified in Section IV above will be used to track and measure progress toward achievement of the objectives of this Agreement, influence the allocation of financial resources, and monitor performance. Additional indicators for Result II will be developed in early 2003. Indicators for Result III will be developed in early 2003. In addition, USAID and MOFA/ICS, in consultation with the appropriate partner, will use performance data as the basis for recommending adjustments in targets, indicators and activities.

Measures of performance will be based on several sources, including the A.R.E., USAID and other donor-financed studies, and partner activity reports. USAID, through contractors and grantees, and particularly through its management and monitoring contractor, will track results and evaluate all aspects of performance under the activities described above. It is

anticipated that insights gained from implementation of activities will lead to improvements in project implementation and to the identification of potential new activities. To ensure that ongoing and new activities are Results driven, USAID anticipates that annual performance reviews will play a key role in any future program re-direction.

#### **VIII. Financial Plan**

The illustrative financial plan for this Agreement is attached. Changes may be made to the financial plan by the representatives of the Parties using, without formal amendment to the Agreement, if such changes do not cause USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement.

**SO17 Skills For Competitiveness Developed  
(263-0281)  
Illustrative Financial Plan (\$000)  
USAID Contribution**

Activity	Revised Previous Obligations	FY 2002 Obligations	Obligations To Date	Future Obligations	Total Obligations
<b>IR 17.1 Market Responsive Workforce Skills Provided in Critical Sectors</b>					
Management Training: MDI/PICE, MBA/MIT Scholarships, Certified IT Training, Upgrading IT Programs at National Universities.	4,000,000	7,857,000	11,857,000	9,246,037	21,103,037
<b>IR 17.2 Increased Institutional Capacity for Providing Market-Responsive, Private-Sector-Driven Education &amp; Training</b>					
Egyptian Technology University (ETU) and IT Cluster Development, IT in Schools, FGF Grant, School to Work (STW), Cluster Development (Tourism), and Alexandria Institute of Technology.	15,950,000	4,900,000	20,850,000	32,535,965	53,385,965
<b>General Element</b>	0				
Management and Monitoring, Human Resource Development Commission, and Audits and Assessments	2,050,000	2,978,000	5,028,000	1,634,234	6,662,234
<b>Grand Total</b>	22,000,000	15,735,000	37,735,000	43,416,236	81,151,236

**Skills For Competitiveness Developed (263-0281)  
ARE Contribution (LE)<sup>1</sup>**

	Cash	In-Kind	Total
1- Land for ETU		4,200,000	4,200,000
2- Social Insurance for Locally Hired Egyptian Contractor Staff (from FT 800)	410,612		410,612
<b>Total ARE Contribution</b>	<b>410,612</b>	<b>4,200,000</b>	<b>4,610,612</b>

<sup>1</sup> Equivalent to \$ 0.998 million @ exchange rate of \$4.62/LE.